



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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IRS – Criminal Investigation

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### **Canadian Man Sentenced to Prison for \$10 Million Income Tax Refund Fraud Scheme**

*Conspired With Other Canadian Citizens to File False Tax Returns Using Fraudulent Forms  
1099-OID*

An Ontario, Canada, man was sentenced to 135 months in prison today following his conviction for one count of conspiracy to defraud the United States and commit theft of government funds, one count of making a false claim against the United States and two counts of transferring stolen money in foreign commerce, announced Acting Assistant Attorney General Caroline D. Ciraolo of the Justice Department's Tax Division and U.S. Attorney William J. Hochul Jr. of the Western District of New York.

Kevin Cyster, 52, of Burlington, Ontario, was convicted in September by a federal jury after a six-day trial in Rochester, New York. According to court documents and testimony at trial, Cyster was part of a group of Canadian citizens that filed tax returns with the Internal Revenue Service (IRS) that contained fraudulent Forms 1099-OID. On these tax returns, Cyster and his co-conspirators falsely claimed that nearly \$10 million in federal income taxes had been withheld on their behalf by various Canadian financial institutions and paid over to the IRS. The testimony at trial established that these false Forms 1099-OID were created and filed with the IRS by an individual in California named Ronald Brekke, 55, of Orange County, California, and not by the financial institutions. No federal income taxes were paid over to the IRS on behalf of Cyster and his co-conspirators and they were not entitled to the refunds claimed on their tax returns. The IRS paid out more than \$3.5 million of the requested refunds before detecting the fraud. Renee Jarvis, 51, of Ontario one of Cyster's co-conspirators, testified that co-conspirators held meetings at Cyster's home at which Cyster promoted the 1099-OID scheme.

Jarvis pleaded guilty in June 2014 to conspiracy to defraud the United States and to commit theft of government funds. Her sentencing is set for Jan. 12, 2016. Brekke was sentenced in June 2012 to 12 years in prison after a jury convicted him of promoting a 1099-OID fraud scheme.

Chief U.S. District Judge Frank P. Geraci, Jr. of the Western District of New York, who also presided over Cyster's trial, imposed the sentence. In addition to the prison term, Cyster was ordered to serve three years of supervised release and pay restitution to the IRS in the amount of \$3,553,303.35.

Acting Assistant Attorney General Ciraolo and U.S. Attorney Hochul commended the special agents of IRS-Criminal Investigation, under the direction of Special Agent in Charge Shantelle P. Kitchen, who investigated the case and Assistant U.S. Attorney John J. Field of the Western District of New York and Trial Attorneys Jeffrey A. McLellan and Thomas F. Koelbl of the Tax Division, who prosecuted the case.

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